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FISCAL IMPACT STATEMENT

LS 6328

BILL NUMBER: SB 294

NOTE PREPARED: Jan 2, 2013

BILL AMENDED:

SUBJECT: Inheritance Tax.

FIRST AUTHOR: Sen. Randolph

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X GENERAL
DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill increases Inheritance Tax exemption amounts for Class B transferees from \$500 to \$100,000 and for Class C transferees from \$100 to \$50,000.

Effective Date: July 1, 2013.

Explanation of State Expenditures: *Department of State Revenue (DOR):* The DOR would incur some administrative expenses relating to the revision of tax forms, instructions, and computer programs to reflect the exemption increases. The DOR's current level of resources should be sufficient to implement these changes.

Explanation of State Revenues: *Summary* - This bill could reduce revenue to the state General Fund beginning in FY 2015. The revenue loss attributable to this bill will be reduced every year due to current statute's phasing out of the Inheritance Tax. Estimates are provided in the following table.

Fiscal Year Impact	State Revenue Loss
FY 2015	(\$26.1 M - \$30.6 M)
FY 2016	(\$23.0 M - \$27.0 M)
FY 2017	(\$19.9 M - \$23.4 M)
FY 2018	(\$16.9 M - \$19.8 M)
FY 2019	(\$13.8 M - \$16.2 M)
FY 2020	(\$10.7 M - \$12.6 M)
FY 2021	(\$7.7 M - \$9.0 M)
FY 2022	(\$4.6 M - \$5.4 M)
FY 2023	(\$1.5 M - \$1.8 M)
FY 2024	\$0

Background Information - This bill increases the exemption for Class B transferees from \$500 to \$100,000 and it increases the exemption for Class C transferees from \$100 to \$50,000. SEA 293-12 provided for a phase out of the Inheritance Tax beginning with decedents whose deaths occur during CY 2013. The Inheritance Tax will no longer apply to property interests transferred by decedents whose deaths occur after December 31, 2021. The Inheritance Tax must be paid within 12 months after the decedent's death (within 9 months to receive the 5% early discount).

The estimated fiscal impact of the exemption increases is based on the Office of Fiscal and Management Analysis (OFMA) Inheritance Tax database. The Inheritance Tax database is comprised of about 600,000 records of transferees receiving assets from a decedent who died between July 1, 1997, and October 30, 2011. Annual sample totals suggest that Class B beneficiaries account for about 29.2% of annual Inheritance Tax revenue, and Class C beneficiaries account for about 21.9% of annual Inheritance Tax revenue. About 99.2% of total Inheritance Tax collections are from Indiana residents. Simulations with the sample returns suggest that the exemption increase could reduce revenue from Class B beneficiaries by about 51% to 57%, and for Class C beneficiaries by about 36% to 45%.

Explanation of Local Expenditures:

Explanation of Local Revenues: This bill could reduce revenue to counties beginning in FY 2015. Counties retain 8% of the Inheritance Tax collected on transfers made by Indiana residents. The revenue loss attributable to this bill will be reduced every year due to current statute's phasing out of the Inheritance Tax. Estimates are provided in the following table.

Fiscal Year Impact	Local Share of Revenue Loss
FY 2015	(\$2.2 M - \$2.6 M)
FY 2016	(\$2.0 M - \$2.3 M)
FY 2017	(\$1.7 M - \$2.0 M)
FY 2018	(\$1.5 M - \$1.7 M)
FY 2019	(\$1.2 M - \$1.4 M)
FY 2020	(\$0.9 M - \$1.1 M)
FY 2021	(\$0.7 M - \$0.8 M)
FY 2022	(\$0.4 M - \$0.5 M)
FY 2023	(\$0.1 M - \$0.2 M)
FY 2024	\$0

State Agencies Affected: Department of State Revenue.

Local Agencies Affected: Counties.

Information Sources: OFMA Inheritance Tax Database; Revenue Technical Committee, *State Revenue Forecast, Fiscal Year 2015*, December 17, 2012; Quarterly Inheritance Tax Reports, FY 1997- FY 2012.

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